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### Tin and Tungsten Situation

1. As of 1 April 1950 the only tin (99%) and tungsten (65% WO<sub>3</sub>) shipped from China to Hong Kong or to the West was smuggled. In March and during the first week in April some tungsten concentrates were shipped into Hong Kong from Hainan. Some tin concentrates also shipped into Hong Kong from Hainan were labelled "wolfram concentrates" so that they could be exported under the same label, thus avoiding surrender of foreign exchange.
2. During March and April tungsten export prices in Hong Kong increased from Hong Kong (HK) \$240 (US \$40) a picul to HK \$265 (US \$44) a picul. Additional increases are expected because European demands are not being met.
3. The Communists have shipped part of 600 tons of tin (99.6%) and 900 tons of tungsten concentrates (65% WO<sub>3</sub>) to the USSR, but the shipments were small because of transportation difficulties. The USSR definitely will get from China all tin and tungsten meeting USSR requirements. It is expected that the large tonnages which will not meet Soviet specifications will be offered eventually to other countries. So far, Chinese firms, which have to get special approval from Peking to offer tin, tungsten or antimony abroad, have been unable to arrange any export permits.
4. The Soviets have stressed the importance of increasing tungsten production, which they consider vital and more important than tin.\* They said that they would take all production that met their specifications. They are said to be making the plans for tungsten production.
5. Tungsten has shipping priority; other export items have priority over local shipments except shipments of military equipment. The Chinese Communist Government has ordered crushing and grinding machinery and magnetic separators for the tungsten mines.
6. Soviet engineers have been inspecting China's tungsten deposits for several months, and one engineer has been reported in Changsha, the center of the antimony industry. As yet none have been reported in the Kwangsi or Yunnan tin districts.

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7. Only about two-thirds of the Kwangsi tin mines are operating, and there are complaints about the low prices paid by the South China Foreign Trading Company (SCFTC).
8. Owners of tungsten mines in Hunan, Kiangsi and Kwangtung are grumbling because they say that the official Communist purchasing agencies are paying 23 percent less for tungsten concentrates than the producers could get if they did the exporting.
9. The men now in charge of minerals and metals are not qualified for their jobs, though most are loyal to the Communists and resist graft. It was evident that South China fell far ahead of schedule, because the Communists were completely unable to cope with transport and mining problems and did not have trained men that they could trust. For several months mining was permitted to drift.
10. The Communists discharged several technical men formerly with the National Resources Commission whom they distrusted, despite their desperate need of technical help. This need is shown in one incident where the Communists purchased from local miners tungsten concentrates supposedly 65% WO<sub>3</sub> which were found on final analysis to be too low-grade to ship.
11. LUNG, an SCFTC official, received a cut on the sale of 130 metric tons (about 2,080 piculs) of antimony sulfide (not antimony metal - regulus) which were shipped by SCFTC to Hong Kong during February and March and offered for sale at low prices. Twenty tons of this was said to be metal, 99.5%, though the Communist Government has not yet issued metal export licenses.
12. LUNG planned to export 65% tin concentrates by claiming that they were middlings, or 35% tin. He hoped to arrange export of high-grade tungsten concentrates, 65% WO<sub>3</sub>, which had over 2% tin as an impurity and therefore did not meet USSR specifications. The tungsten would be run through a magnetic separator in Hong Kong, after which it would meet Hamburg requirements.
13. On 28 March there was a purge of SCFTC because LUNG and another official were caught taking bribes. LUNG was due to arrive in Hong Kong on 7 April, but he did not appear.

#### Tin and Tungsten Smuggling

14. Although it is easier for smugglers to take their tin, a few piculs at a time, to Macao, buyers cannot make a shipment from Macao unless they have 100 tons minimum cargo, because an ocean freighter will not call for less. They are asking smugglers to deliver directly to Hong Kong.\*\*
15. Yung Day Company in Macao and Lei Shing Hong, Kwong Shing Cheong Company and T. O. WONG & Company in Hong Kong do the most purchasing from smugglers. Kwong Shing Cheong pays in Hong Kong dollars immediately upon delivery. Smugglers take back into China prohibited articles, sundries, dyestuffs, etc., which the dealers sell them.
16. In March tin and tungsten smuggling increased in the Hong Kong-Macao area and decreased in the Yunnan-Indochina border area because of troop concentrations along the border. However, Yunnan exporters, led by Lei Shing Ho, believe that they could deliver 400 piculs weekly to Haiphong if they were paid on delivery.
17. Smugglers want full cash payment upon delivery of their product, so that buyers have to be able to judge the quality by looking. Chinese buyers rarely make a bad mistake; they can usually judge tungsten concentrates within 2% and can tell when smugglers have added magnetite. They miss out on impurities but still make a profit, because smugglers' prices are relatively low. However, twice in March smugglers claimed that Kwong Shing Cheong was taking unfair advantage by paying much less than for previous shipments of the same quality.
18. One firm is getting more offers from smugglers since it has become known that the firm has a magnetic separator.

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19. The Nationalist machine-gunning of junks along the China coast in the Amoy and Swatow areas has cut down on smuggling, particularly of tungsten and other products from Kiangsi.

Tin and Tungsten Trade Figures

20. Official Hong Kong Government trade figures in piculs (133.3 pounds) of tin and tungsten concentrates for January and February 1950 are as follows:

	TIN		TUNGSTEN	
	<u>Imports</u>	<u>Exports</u>	<u>Imports</u>	<u>Exports</u>
Central China		316		
South China	3,892			
United Kingdom	15			489
Malaya	1,392			
Indochina	17			
Macao	341		181	
Philippines		17		
United States		5,234		924
Germany				840
Belgium				840
Sweden				840
South Korea				
			<u>336</u>	
TIN			TUNGSTEN	
TOTAL	5,657	5,567	TOTAL	517 3,933

21. Source's comments on these figures are as follows:

- The 3,892 piculs of tin from South China came from Hainan. Most of this was Yunnan tin flown to Hainan by the Chinese Nationalist Air Force and the Civil Air Transport from Kunming and Mengtze before Yunnan fell.
- The exports to Central China are believed to be Malay tin sent to Taiwan to mix with some low-grade China tin ingots brought to Taiwan from South China.
- The large importation of Malay tin into Hong Kong is unusual. It was reported to the Hong Kong Government that this tonnage was to be used by the local primitive refineries to mix with low-grade China tin, but this is much more than is needed. Several local firms such as T. O. WONG & Co. and Tonley & Company are offering marked banker brand Malay tin, 99.8%, to any buyer.
- It is not possible to check whether all of the 5,234 piculs of tin claimed by shippers to be destined for the United States will be shipped there, because the figures come from manifests which may be false.
- The 341 piculs reported to have been shipped to Hong Kong from Macao and the 17 piculs from Indochina are definitely tin smuggled from China. About 300 piculs a month are smuggled into Hong Kong, and an equal amount is smuggled to Macao.
- Tungsten exports to Belgium, Germany and Sweden were actual shipments, most of which were consigned to Metal Traders. Half of the Belgium shipment was sent in January and half in February. It was reported in Hong Kong that the Belgium shipment was destined for Sweden. The Sweden and Germany shipments were both made in February. Swedish prices were the highest on the Hong Kong market.
- Imports of South Korean tungsten were exported to Sweden. Some of the exported tungsten was stolen from Communist stocks in Hong Kong.
- The 181 piculs imported from Macao amount to about half of the amount

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purchased by Yung Dah Company from smugglers in Macao during January and February.

Antimony

22. According to Hong Kong Government statistics, in January and February a total of 1,900 piculs of antimony regulus was imported from South China. Part of this is said to have come from Hainan. Of this tonnage 5 piculs were shipped to Thailand and 554 piculs were shipped to the United States.

Molybdenum

23. Manchurian molybdenum mines are said to be under Soviet management. Molybdenum production in South China has not yet attracted Communist interest except for an order to the Kwangtung Provincial Trade Bureau (the official Purchasing agency) to buy all molybdenum ores, as well as all tungsten, tin, antimony and bismuth.
24. An independent metals broker in Hong Kong says that the Chinese are puzzled by the Soviet refusal to supply ferro-molybdenum to the Chinese when the Soviets are receiving molybdenum from Manchuria. Jardine, Matheson & Company recently obtained orders for ferro-molybdenum from the Chinese Communists.

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\* Comment. This statement is surprising because the USSR was believed to be more deficient in tin than in tungsten. It seems definite that the USSR is anxious to stockpile as much tungsten as possible in preparation for war.

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\*\* Comment. During the last week in April about 320 piculs of tin ingots were smuggled into Macao from Canton.

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